

Dr M: Use yen as East Asia's trading currency

S - 3 JUN 2004

TOKYO: Japan should stop trying to prop up the US dollar and instead make the yen the trading currency of East Asia, said Tun Dr Mahathir Mohamad.

While noting that it was understandable for Japan to continue to shore up the US currency because it holds a lot of dollars in reserve, the former Malaysian Prime Minister warned that it could not "go on forever."

"The US must maintain the value of its currency by reducing its huge deficit and living within its means.

"Whatever Japan does, its yen is bound to appreciate against the US dollar.

"What it means is that Japanese goods have become expensive for South-East Asia. They cannot compete with some American goods, but more significantly with Chinese goods.

"This is not healthy. This is the result of using the US dollar as a trading currency and valuing other currencies against it," said Dr Mahathir in his speech entitled *East Asia Community and the Role of Japan* at Keio University here yesterday.

The university had earlier bestowed an honorary Doctorate of Law on him.

Dr Mahathir suggested that the Japanese currency be used to replace the US dollar as the trading currency for East Asia and in return the region agreed on a trading currency backed by gold.

"East Asian countries need not have an East Asian currency for domestic use as the euro is in the European Union. To give it reference value against currencies of countries of East Asia, we can base the East Asia Trading

Currency on gold."

Gold can fluctuate in value in any currency but the fluctuation would never be very wide," he said, adding that such a trading currency would be more stable than the US dollar, euro and even the yen.

Dr Mahathir also touched on the need for East Asia to unite as Europe had done with the formation of the EU after centuries of going to war against each other.

"We must learn from Europe, from France and Germany. We must all admit our mistakes, not hide them or ignore the past as if it did not happen.

"We must admit that it happened and that we are truly sorry that it did. Having done that, we must look at the present and the future and work for the betterment of our life together," he added.

Saying Asian countries which have suffered from invasion and war must be realistic, Dr Mahathir said demands for reparations and apologies must stop.

This was in reference to constant calls by countries invaded by Japan during the Second World War for compensation to victims and for Japan to apologise for the atrocities committed then.

"If France and Germany can seemingly forget and forgive, East Asian countries too must learn to forget and forgive. It will be very difficult. It will be painful. It will take time.

"But we cannot forever allow the past to shackle us, to stop our progress. The baggage of history must be left behind," Dr Mahathir said.